I&T 100 YEARS OF LEADERSHIP

implement & tractor

The business magazine of the farm and industrial equipment industry FEBRUARY 1987

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Tillage, planting, spraying: Researching for answers

FIEI forecast: Tough '87, better '88
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Implement & Tractor

The business magazine of the farm and industrial equipment industry.

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Our cover story

Farmers want to cut production costs, but when it comes to shelling out money for new tillage, planting, and spraying systems, they're saying, "Show me it will work on my farm." I&T takes a look at changes on the spraying/tillage scenes. (The tillage equipment photos are courtesy of Case-IH.)

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Soft December winds up '86

The flash report of the Farm & Industrial Equipment Institute shows Santa Claus having bypassed most product categories for December. If tax credit was a buying motive for some farmers, it was not reflected in overall sales performance. Japanese-built tractors (under 40 hp) scored their usual successes, and mower-conditioners finished the year almost even.

	Unit Retail Sales					
	December			January-December		
	1986	1985	%	1986	1985	%
Farm Wheel Tractors:						
2-Wheel Drive						
Under 40 HP	3,748	3,491	7.4	61,483	57,259	7.4
40 & Under 100 HP	2,424	2,580	(6.0)	30,794	37,842	(18.6)
100 & Under 140 HP	331	497	(33.4)	5,132	7,300	(29.7)
140 HP & Over	438	747	(41.4)	9,126	10,400	(12.3)
Total 2-Wheel Drive	6,941	7,315	(5.1)	106,535	112,801	(5.6)
4-Wheel Drive						
Under 200 HP	97	257	(62.3)	601	1,087	(44.7)
200 HP & Over	157	278	(43.5)	1,449	1,825	(20.6)
Total 4-Wheel Drive	254	535	(52.5)	2,050	2,912	(29.6)
Total Farm Wheel Tractors	7,195	7,850	(8.3)	108,585	115,713	(6.2)
Combines (Self-Propelled)	486	923	(47.3)	7,650	3,411	(9.0)
Balers (Bales under 200 lbs)	234	237	(1.3)	5,751	7,038	(18.3)
Forage Harvesters (Shear Bar Type)	126	112	12.5	2,164	2,460	(12.0)
Mower Conditioners	484	407	18.9	10,954	11,243	(2.6)

Ford New Holland taking shape

Ford New Holland Inc. is the name of the newly formed subsidiary that began existence Jan. 1. It's a restructuring of Ford Tractor Operations and New Holland Inc. by Ford Motor Co. and its world headquarters will be in New Holland, Pa. The consolidation is expected to be completed in the latter part of 1987.

There are three major product components in the new organization — Tractor Operations, New Holland and Diesel Engine Operations. Tractor and Diesel Engine Operations will be based in Troy, Mich., their present location, and New Holland will be at its present base in the city of New Holland. The master tractor parts depot and a branch sales office will remain in Troy.

Sales and marketing of Tractor Operations and New Holland will be handled by a single group based in New Holland, starting early in 1987. Supply, finance and personnel functions will also be consolidated in the new enterprise.

Officers: Robert F. Moglia is president of Ford New Holland, report to Edson P. Williams, Ford Motor's vice-president of diversified products. Moglia had been general manager of Ford Tractor Operations. Reporting to Moglia:

H.G. McCarty, who continues as president of New Holland Inc., responsible for New Holland business worldwide and for Ford New Holland Operations in Australia.

Robert E. Gerrity, vice-president, Tractor and Diesel Engine Operations, managing the worldwide tractor and diesel engine business and all Ford New Holland activities in Brazil. He had been assistant general manager for product development, manufacturing and supply for FTO.

Gorham A. Cowl, vice-president, sales and marketing of Tractor Operations and New Holland products worldwide. He had been assistant general manager of sales and marketing for FTO.

In the first quarter of 1987, New Holland parts facilities will be relocated from Memphis, Tenn., Arlington, Texas, and St. Paul, Minn., to Ford Tractor parts depots at Memphis, Dallas and Minneapolis, respectively. Later, NH's parts facility at Columbus, Ohio, will be relocated into Ford's at Troy. Other parts consolidations are still

(See Subsidiary, pg. 29)

Canadian outlook: sales decline expected in '87

Canadian manufacturers are anticipating a decline in retail sales of most equipment types, according to the Canadian Farm & Industrial Equipment Institute, though not as severe as 1986's volume loss.

Sales of all wheel-type tractors in Canada in 1986 were estimated at 18,066 units, down about 9 percent from 1985. For 1987, they predict sales of 17,344 tractors, down another 4 percent.

Sales of tractors under 40 horsepower are expected to hold steady; 40-99-horsepower tractors are predicted to go down 4 percent; tractors over 100 hp, down 8.5 percent; and four-wheel drive tractors to hold at slightly under the 1986 level.

In 1986, self-propelled combine sales were an estimated 2,580 units, but the forecast calls for a decline to 2,113 units in 1987.

Other forecasts: Balers (bales under 200 lbs.) from 1986's 1,719 units to 1,657 in 1987; large-bale models; 2,926 in 1986, 2,073 in 1987. Mower-conditioners: From 2,250 units in 1986 to 2,169 in 1987. Self-propelled swathers: 1,807 units in 1986, 1,735 in 1987.

Imports top exports for nine months

For the first nine months of 1986, farm equipment imports topped exports. Imports were valued at $1.271 billion; exports were $1.158 billion, down 19 percent from the first three quarters of 1985.

Major customers for U.S. farm equipment, their volumes and percentages of increase or decline from the same nine months of 1985 were:

Canada — $518 million, down 15 percent; Mexico — $65 million, down 64 percent; Venezuela — $44 million, up 57 percent; West Germany — $48 million, up 27 percent; Belgium — $31 million, up 86 percent.

Brazil — $13 million, up

(See Exports, pg. 29)

FIEI sales forecast:

Tough in 1987, better in 1988

By Bill Fogarty

HOW DOES IT LOOK for 1987?

The collective judgment of 30 marketers of field-type farm equipment is for a modest — 2.8 percent — improvement in U.S. retail sales volume. That's how the forecast of the Farm & Industrial Equipment Institute's Farm Equipment Division sees things.

The actual range of outlooks among the 30 executives is, as in past years, very broad; however, the majority expect conditions to produce a sales volume of plus-or-minus five percent. There are two who see an improvement of 10 to 12 percent and four others who see a decline of from 10 to 15 percent.

Generally speaking, 1987 generates a mixed outlook. More items are expected to show a unit sales decline than an increase. However, 1988 is another story. Only two products are expected to decline in 1988 from 1987; the others are expected to increase in volume or hold even.

Tractors: Under 100 horsepower units are expected to do well in 1987; bigger models, including four-wheelers, are figured for further decline. In 1988, all tractor categories are expected to improve.

Sales of tractors under 40 horsepower crossed the 60,000-unit line in 1986, according to FIEI retail sales reports, and the marketers are counting on continued moderate increases in the next two years. Tractors of from 40 to 99 horsepower had a substantial sales drop in 1986, but the forecasters expect a good rebound this year and next.

Grain harvesting equipment: Marketers of combines and corn heads are bracing for severe declines in 1987, followed by resurgence in 1988 which, though welcome, will not bring volume back to the 1986 level.

Haying equipment: Hay tools are expected to hold their own or improve slightly in 1987 and again hold steady in 1988. Survey participants are talking about an increase in big baler sales of a median 2.7 percent, while two of the seven participants in that part of the forecast are looking for a 10 percent rise this year. And one windrower marketer anticipates a 24 percent upswing.

Tillage products: Marketers of tillage equipment are generally less

(See FIEI, pg. 28)

U.S. Retail Sales Forecast 1987-1988 (in units)

Product	Actual Sales, 1985	Actual Sales, 1986	Sales Forecast for 1987	Sales Forecast for 1988
Farm Tractors				
Under 40 HP	57,214	61,483	62,713	63,779
40-99 HP	37,847	30,794	32,303	33,142
100 HP and over	17,700	14,258	13,574	14,741
4-wheel drive	2,912	2,050	1,978	2,126
Total Farm Tractors	115,673	108,585	110,568	112,788
S-P Combines	8,411	7,650	6,411	6,847
Corn Heads	5,016	4,840E	4,056	4,397
Forage Harvesters[1]	2,460	2,164	2,114	2,114
Balers, square[2]	7,038	5,751	5,751	5,751
Balers, round[3]	9,637	9,100E	9,346	9,346
Windrowers	2,026	1,500E	1,500	1,550
Mower-Conditioners	11,243	10,954	11,325	11,325
Grinder-Mixers	1,914	1,600E	1,776	1,671

E: Estimated [1]Shear-bar type [2]Bales under 200 lbs. [3]Bales over 200 lbs.
Source: Farm & Industrial Equipment Institute.

Other Product Retail Sales Forecasts 1987-1988

Product	Percent of Change 1987 from 1986	Percent of Change 1988 from 1987
Augers, elevators	-12.5	0
Crop dryers, in-bin	-15.0	0
Crop dryers, batch and continuous flow	0	0
Dairy and beef equipment	0	+ 5.0
Hog equipment	+ 3.0	+ 2.0
Grain bins	-15.0	-5.0
Milking machines	+ 3.0	+ 2.5
Manure spreaders	-5.5	-1.7
Disk harrows	-1.9	0
Field cultivators	-3.8	0
Chisel plows	-4.8	0

Source: Farm & Industrial Equipment Institute

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INVENTORY WATCH

What's happening to stockpiles in relation to sales.

Equipment	Inventory Levels Oct. 31, 1985	May 31, 1986	June 30, 1986	July 31, 1986	Aug. 31 1986	Sept. 30 1986	Oct. 31, 1986	12-Month Sales, Nov. 1, 1985 Oct. 31, 1986
Tractors								
Under 40 hp	41,153	54,041	52,089	50,905	52,872	57,108	57,880	61,160
40-99 hp	26,455	27,319	25,751	26,055	25,417	24,915	24,774	31,394
100 hp and over	23,171	18,400	16,247	16,989	16,783	16,299	14,901	15,061
Four-wheel drive	3,601	2,514	2,513	2,429	2,372	2,247	2,092	2,350
Total Tractors	**94,380**	**102,274**	**96,600**	**96,378**	**97,444**	**100,569**	**98,647**	**109,915**
S-P Combines	8,353	7,253	2,323	7,403	6,037	5,624	4,560	7,628

Source: Farm & Industrial Equipment Institute

Deere Strike *(from 9)*

much machinery was tired, after working too many hours."

Richard C. Perkins, Brazos Machinery Co., Bryan, Texas, said his dealership is getting its parts anywhere and everywhere it can right now. "I wouldn't say we have an agricultural parts shortage, but I would say we sure have a parts delay, maybe 14 to 21 days. The sad thing is, new and used parts are being sold at least at list price (by some dealers to others), not at dealer net price, and all costs such as freight are being passed on to the customer."

Dennis Pilati, Mid Cal Tractor, Stockton, Calif., echoed Perkins' feelings. A few dealers he deals with, maybe five percent, sell parts to other dealers at retail. "That, along with shipping expense, must be absorbed, though we are not trying to pass on our problems to the customer. Most dealers, though, are very cooperative."

How about parts for Deere equipment made at unaffected factories? Pilati observed that the problems there are marginal. "For example," he explained, "Japanese-made hydraulic valves for equipment made there are stored in Deere's U.S. depot. But if clerks are busy hustling Deere product parts, they may not be able to get these other stocks as readily."

Pilati estimated his stocks were about 30 percent below normal. "I believe all dealers will be in the same position soon if this strike continues much longer."

Steve Scharber, Scharber & Sons, Rogers, Minn.: "We ran into a few problems; some parts were harder to locate. But we weren't tied up in the fall season. We've not had to do any more robbing of parts from machines on our lot than we would under usual conditions. Winter's on us now, but we'll get busy about March 1."

Terry Barbee, Barbee-Neuhaus Implement Co., Weslaco, Texas, said his parts sales volume is off 28 percent from a year ago, but he was not sure how much of the downturn was related to strike-induced shortages.

"Really, we've seen a good spirit of cooperation between our dealership and Deere, and between dealers direct," said Barbee, "But we will feel a lot more pressure if parts are still hard to find when farmers' busy season rolls around."

Doug Naismith, Briggs Equipment Co., Suffolk, Va., said: "Now we are trying to do winter inspections and tractor repairs. Out biggest headache is finding gaskets. Part of our inspection is valve clearance, but since we can't replace the valve cover gasket, we can't do that part of our inspection.

"The strike has helped us clear a lot of old parts. In a sense, it has helped our cash flow: We don't have as much money tied up in inventory."

A major concern of Naismith's: "If the strike continues long after the first of the year, we could have a big problem. It will take two or three months to refill the parts and equipment pipelines."

David Bartch, parts manager at Valley Truck & Tractor, Yuba City, Calif., noted that emergency

(See Deere, pg. 28)

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Editor's Notebook *(from 7)*

while, appears to be that if American agriculture is going to dwindle to 100,000 or so prime customers for new equipment by 1993 (or pick your own number and year), the companies are going to have to know everything possible about them — who and where they are, how they think about their farming practices, their machinery operating habits, their convictions about brands, their wives' influence, anything that will give them a marketing edge.

It's no wonder that they feel they have to get closer to this customer, whether he's a surviving farmer or a contractor or a suburb-dwelling hobby farmer. There was a time when all their customers were farmers; all they had to sell was iron, and the blockman system of maintaining a flesh-and-blood presence beside the dealer worked just fine.

It isn't sufficient today.

One example of working to get closer to customers: Massey-Ferguson formed the MF Club last year as a means not only of selling additional things to the buyer, such as insurance, travel services and merchandise, but also to serve as a means of learning more about him. Another example: Deere's acquiring of Farm Plan, the rural retail financing operation, seems to be another move to establish a relationship with more of the surviving customer base.

Some upshots

These manufacturer moves to get closer to the customer have to have some impact on dealers, even if there is little or no total bypassing of them on service-oriented machinery.

One thing that seems likely to happen is the ascendancy of the product specialist. If manufacturers have to keep their blockmen busy shuffling papers and counting beans, they are going to have to field a fleet of dazzling product experts — people who can set up that demonstration and win brilliantly, people who can show prospects how to use the machine to maximum advantage and who know how to help the dealer pull a good crowd together to see it all.

And the level of market research seems destined to get better. It has to. The market pundits who led their companies into wrong decisions about products and production levels will have to give way to a new breed who knows how to find that real combine prospect and learn what is really going to motivate him.

If manufacturers are going to pour money into getting themselves to new levels of intimacy with customers, and in effect take on some of the retailer's selling function, one has to wonder what changes this will have in the dealer discount structure. If the retail salesman's function is reduced to wrestling the prospect to the ground until the product specialist can be summoned to close the deal, something has to be different, doesn't it?

And if we're looking at a world in which dealers get to keep less wholegoods margin than in the past, then where will more profit have to come from? Where else but parts and service?

All the whiz-bang demonstrating and promotional efforts of any manufacturer will lay a big egg if there is no customer perception of a good parts operation — a clicking service department and an adequate level of product knowledge on the retail level. Dealerships that can't manage a decent parts turnover, can't charge out enough servicemen's hours, or answer those everyday questions about product application will be hard put to survive.

If I were a dealer, I wouldn't worry much about some manufacturer trying an end run around me. If he did, I and all my neighboring in-line dealers would look for suppliers with more long range vision.

Instead, I'd worry about how I might be able to set up a parts and service branch that could make a *profit*. Or I'd worry about which shortlines would work best in my territory with my basic franchise. Or I'd worry about the best incentive programs for my employees.

I'd worry about which employees (including myself) I'd be best advised to send off to product schools, sales schools, service schools, and management schools. That's because I'd feel dealer survival is far more closely tied to that kind of performance than it is to manufacturers' approaches to distribution.

You see, manufacturers ultimately will always need dealers to get the product in the users' hands. But not just any dealers will do. □

FIEI forecast *(from 22)*

upbeat about the next two years. They are looking for declines this year in disk harrow sales (1.9 percent), field cultivators (3.8 percent) and chisel plows (4.8 percent). They expect no change in 1988 from 1987 performance.

Farmstead lines: Twenty-five member companies of the FIEI's Agri-Equipment Division participated in the survey. They see a general retail sales outlook for their products this year as a median zero, i.e., finishing about even with 1986. The range runs from one optimist seeing a 10 percent improvement to four who expect a 10 percent decline.

Forecast rules, accuracy

FIEI asks participants in its State of the Industry study to estimate unit retail sales only on those products with which they are involved, and to estimate what they think the *whole industry*, not just their own company's products, will do in the marketplace.

Nevertheless, some marketing executives have told I&T privately they only estimate what their own company will do, and some have said they always overstate their estimate in order to provide a "more positive" look to the forecast.

Other industry executives have urged their colleagues sometimes in speaking to the FIEI Marketing & Management Conference, to give a high priority to the State of the Industry survey and to work harder, within the survey rules, to make it a more valuable tool for the industry at large.

In the recent years of market decline, participating marketers have generally overestimated actual sales performance, though some predictions have been very close. The market for tractors of less than 40 horsepower has been consistently underestimated, however. □

Deere Strike *(from 27)*

parts can arrive at his shop within four or five days, rather than two or three. "But that four or five days is quicker than it was earlier in the strike. It appears Deere has done something to speed things up," he said.

Inventory items that are dropping furthest include bearings and other fast-moving items. He said he does shop TISCO and other such sources for parts like those bearings. □